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C O N F I D E N T I A L SEOUL 000616

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TAGS: KS KN PGOV PREL
SUBJECT: KIC EXPULSION SIGNALS DPRK DISCONTENT

Classified By: A/POL Brian McFeeters. Reasons 1.4(b/d)

Summary

¶1. (C) On March 27 at 1 a.m. Seoul time, 11 South Korean officials stationed at the Kaesong Industrial Complex (KIC) were expelled by the DPRK. According to the South Korean Ministry of Unification (MOU), the DPRK cited Unification Minister Kim Ha-joong's comments linking denuclearization with expansion of the KIC as the motive for the expulsions. The incident was an indicator of emerging tensions between North and South Korea since new South Korean President Lee Myung-bak announced a firmer line towards the DPRK. After President Lee held his first emergency Cabinet meeting today to discuss the incident, the President's Spokesman said that the act was "regrettable" and "could pose an obstacle to sustained development of inter-Korean relations." END SUMMARY.

Expulsions Indicate DPRK Discontent

¶2. (C) According to Kim Ki-ong, MOU Director for Development and Planning, on March 25 the DPRK set an initial deadline for the 11 officials working at the KIC Inter-Korean Exchanges and Cooperation Consultation Office to depart by 5 p.m. on March 26. The ROK asked for a delay until the DPRK provided a reason for the "expulsions," which was the word used by the North Koreans. Upon the DPRK officials' insistence, the 11 ROKG officials left at 1 a.m. on March 27.

The ROKG was later told that the expulsions were a response to Unification Minister Kim's comments linking the expansion of the KIC with denuclearization. ("It will be difficult to expand (the KIC) if the issue of North Korea's nuclear programs remains unsolved," Kim told KIC business owners on March 19, according to press reports.) According to an MOU press briefing, five employees, including representatives of the Korea Export-Import Bank, Korea Trade-Investment Promotion Agency (KOTRA), and the Korea International Trade Association (KITA), along with maintenance staff, remained at the KIC office.

¶3. (SBU) The KIC Inter-Korean Exchanges and Cooperation Consultation Office opened in October 2005 to serve as an official inter-Korean economic cooperation consultative body in Kaesong. Officials from MOU, the Ministry of Knowledge and Economy (formerly the Ministry of Commerce, Industry, and Energy), KOTRA, and KITA were stationed at this office.

Approximately ten DPRK officials currently work at the office, according to an MOU briefing.

¶14. (SBU) Recently-inaugurated President Lee Myung-bak has taken a tougher policy line towards North Korea than his two most recent predecessors. On March 26, Lee gave a policy speech at the MOU that outlined his North Korea policy (septel). His government has also indicated that it would vote in the U.N. Human Rights Council to continue the special mandate of the Special Rapporteur for North Korean Human Rights, unlike the past two governments, which abstained on the issue lest it affect engagement with North Korea. The new government has also made repeated public calls in recent days urging the DPRK to provide a complete and correct declaration of its nuclear programs.

ROK Reaction

¶15. (C) Following an emergency Cabinet meeting to discuss the incident, the President's Spokesman, Lee Dong-kwan, said that the expulsions were "regrettable" and "could pose an obstacle to sustained development of inter-Korean relations." The spokesman indicated that President Lee's sharper rhetoric and actions toward North Korea would likely continue, saying that the ROKG would "thoroughly stick to its 'pragmatic policy'" on North Korea. Unification Minister Kim Ha-joong, Defense Minister Lee Sang-hee, Intelligence Chief Kim Sung-ho, Chief of Staff Ryu Woo-ik, Vice Foreign Minister Kwon Jong-rak, Deputy Chief of the Prime Minister's Office Park Chul-gon, and National Security Advisor Kim Byung-kook attended the meeting.

Impact on ROK Companies at KIC

¶16. (SBU) Hyundai Asan Senior Vice President Jang Whan-bin told us on March 27 that North Korean officials had assured him and others from his company, the lead developer of the KIC, that the expulsion of the ROK officials was at the government-to-government level and that private business should not be affected. Nevertheless, Jang said, companies were worried that the expulsions would slow and possibly freeze business operations at the KIC. These companies were concerned that entry, exit and communications at the KIC could now become more difficult. South Korean press reported that ROKG officials also believed that the DPRK intended to cut off private business at the KIC.

¶17. (SBU) Jang added that some of the more than 100 ROK companies currently in the planning stages to build factories for Phase I of KIC expansion would probably delay their timetables, despite assurances from DPRK officials that the development should proceed, and despite the fact that MOU Minister Kim's comments about further KIC expansion depending on progress on denuclearization referred not to Phase I but a later Phase II expansion. Phase II of the KIC's expansion plan entails leasing more land and building a ring of dormitory buildings around the KIC to house the influx of workers needed to expand the KIC's labor force beyond the 20,000 workers currently employed. This plan has been put on hold as a result of President Lee's calls for reciprocity in North-South cooperation and the emphasis on denuclearization.

No Impact on EEWG

¶18. (C) An official in MOFAT's North Korean Nuclear Affairs division said a planned ROK-DPRK bilateral meeting at Panmunjom to discuss issues in the Energy and Economy Working Group (EEWG) of the Six Party Talks had begun according to schedule. The official noted that that the DPRK was likely unhappy with the new linkage between the KIC and denuclearization, but that the linkage between denuclearization and assistance provided through the EEWG had

been well established in the Six Party Talks and was not likely to be affected by events related to the KIC expulsions.

Comment

19. (C) While North Korea's rhetoric had grown more critical of the ROK in recent days, the expulsions were the first overt expression of frustration with the new South Korean government's linkage between progress on denuclearization and KIC expansion. We read the ROKG's initial reaction as measured, without any indication that it will modify the firmly stated linkage. The DPRK's assurances to private business owners, along with the continuation of the EEWG meeting, indicate that the North Korean action was calibrated to express North Korea's discontent without burning any bridges. END COMMENT.

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